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REPORT

OF THE

GOVERNOR OF ARIZONA

TO THE

SECRETARY OF THE INTERIOR

1906.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1906.

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REPORT OF THE GOVERNOR OF ARIZONA.

OFFICE OF THE GOVERNOR,
Phoenix, Ariz., September 1, 1906.

SIR: In compliance with the directions contained in your letter of June 30, 1906, I have the honor to submit to you my annual report for the fiscal year ended June 30, 1906.

I have endeavored to make the report as brief and yet as compendious as possible, in accordance with the suggestions of your letter and with the Executive order of February 9, 1906.

Arizona has had a prosperous year. In some parts of the Territory, where there are in progress very active mining developments, the population is increasing rapidly; particularly is this so in Cochise and Gila counties. The irrigation works undertaken by the Government under the national irrigation act are progressing, and, while neither of them has yet reached that stage of construction rendering them available for the actual storage, diversion, or supply of water, the assurance of their early completion has served to encourage and make hopeful the agricultural interests.

Bountiful rains in all parts of the Territory have kept the ranges in good condition, and the cattle and sheep industries are especially prosperous.

Peace and good order have prevailed thruout the Territory to a greater extent, probably, than ever before. The increase of population and the incidents of rapidly developing industries thruout the Territory have a strong influence to restrain the vicious and reckless elements regarded as inseparable from a new society, and they encourage and promote the growth of those elements essential to the good order and intellectual and moral progress of the community.

No system for the collection of general statistics has been provided by the legislature, and detailed, accurate statements of the production of the range, field and mine are not obtainable and can only be estimated.

During the year, the experiment of growing sugar beets and the manufacture of sugar therefrom has been undertaken. A large factory has been erected at Glendale, in Maricopa County, at a cost of about $300,000, and 300 or 400 acres of land were planted in sugar beets. Some annoying and unexpected obstacles have delayed the experiment, but enough has been done to warrant the confident prediction that the enterprise will be entirely successful. The land and climate seem peculiarly well adapted to the growth of the sugar beet, the yield being abundant and the proportion of saccharine matter developed in the beets being very large as compared with other localities.

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POPULATION.

I estimate the present population of Arizona to be approximately 180,000. There is good reason to believe, as I pointed out last year, that the population of the Territory is increasing at the rate of 7 per cent per year.

IMMIGRATION.

The bulk of Arizona's foreign immigration comes from Mexico. Large numbers of Mexicans living in the States of Sonora, Sinaloa, and Chihuahua are in the habit of coming to Arizona in search of employment in the mines and on the railroads. Many of them return to their homes after accumulating something, but not a few bring their families and stay. It has been found that Americans seldom seek employment in railway construction, and almost never in work as railroad section hands, except for very brief periods.

LABOR.

The year has been one of great prosperity for all classes of labor. In most lines of skilled labor the demand has exceeded the supply, and there has been a marked shortage in the supply of unskilled labor.

FINANCIAL CONDITION OF THE TERRITORY.

The financial condition of the Territory this year is better than ever before. The cash held by the Territorial treasurer on June 30, 1906, amounted to $279,197.60, the largest sum in our history, and larger by $6,521.46 than at the corresponding date last year. A new record was established for the general fund also, the balance on June 30,1906, amounting to $88,435.84, an increase of $21,100.21 over the corresponding date last year.

The receipts from all sources during the fiscal year amounted to $800,644.83 and the disbursements to $794,143.37.

The "net debt" of the Territory was $1,022,972.43, a decrease of $10,000 for the year, bonds representing Territorial indebtedness to that amount having been paid.

The total funded debt on behalf of counties and cities was $2,100,302.86, an increase of $25,000. This increase does not represent, however, an actual increase of public indebtedness. It means, merely that matured county bonds to the amount of $25,000 were paid with the proceeds of an issue of Territorial bonds of the same par value.

Acting under authority of an act of Congress, it has been the policy of the Territory for several years to take up the bonded debts of the several counties as they mature, if the counties are not ready to pay, and exchange therefor Territorial bonds. When county bonds are redeemed and Territorial bonds issued in like amounts, the counties thus benefited are charged with the debts paid and are required to pay into the Territorial treasury annually sufficient money to cover the interest on the new bonds. By assuming the indebtedness of the counties, the Territory enables the counties to get the benefit of a lower interest rate on their indebtedness.

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In January of this year, the Territory issued its bonds in the sum of $25,000 for the purpose of taking up an indebtedness of Pima County of a like amount, which had matured a few months previously and which the county found it inconvenient to pay. These bonds bear 4 per cent interest and mature in fifty years, the Territory reserving the right to discharge them at the expiration of twenty years. The issue was sold at par, the purchasers paying all expense of issue. Thus, in effect, the bonds brought a premium of about 3 per cent. This sale established a new record for the Territory. With the exception of an issue of $318,275.29 on behalf of Pima County in 1903, this was the first instance in the history of the Territory in which its bonds bore a lower interest rate than 5 per cent, and in the case of the bonds issued for Pima County, the interest rate was fixt as the result of a compromise with the holders of the county bonds. I felt that the excellent financial condition of the Territory warranted the administration in insisting that any new bonds issued should not bear a higher rate of interest than 4 per cent, and the readiness with which the issue of $25,000 of 4 per cent bonds was taken fully justified that decision.

With the exception of one, all the counties promptly meet their obligations to the Territory in the matter of their interest accounts.

The exception is Pima County. In the early days of the Territory a debt of $150,000 was fraudulently incurred by the county of Pima thru the rascality of its board of supervisors. The legislature had authorized the county to issue its bonds in the sum of $150,000 to aid the construction of a railroad thru the county, the bonds of the county to be issued as the road was constructed. Altho but a few miles of road were actually built (these rails being taken up subsequently) bonds of the county to the full amount of $150,000 were issued and placed in the hands of the traditional "innocent holder." Later on, upon seeing how they had been defrauded, the people of the county resisted payment of the interest on these bonds and the question was litigated thru the Territorial and United States Supreme Courts. The bond issue was held by the courts to be invalid, and the people of Pima County thought they were entirely released from the fraudulent debt. Subsequently the Territorial legislature requested Congress to validate certain county bonds hitherto issued, the object of the legislature being to place honestly issued bonds of Yavapai County on an unquestionable basis.

In compliance with the request of the legislature, Congress past an act which not only validated the Yavapai County bonds but the fraudulent Pima County bonds as well. The far-reaching effect of the act was not apprehended at the time by the citizens of the Territory—not even by their Delegate in Congress. With the act of Congress as their authority, the holders of the Pima County bonds again sought to enforce payment, and after a prolonged litigation the Supreme Court of the United States declared that the bonds of Pima County had been made valid by the act of Congress and must be paid. When the court's mandate finally reached the Territorial administration the debt in question had grown to $318,275.29, and bonds of the Territory in that amount, bearing 3 per cent interest and to mature in fifty years, were issued, the county of Pima being charged with the issue.

The board of supervisors of Pima County, acting under the advice of private counsel, profess to believe that it is yet possible to evade the

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debt, and they have declined to pay to the Territory the interest thereon, altho the Territory is regularly paying the interest to the bondholders on behalf of the county.

It is manifestly unjust to the taxpayers of the other counties that the Territorial treasury should bear the burden of the interest payment on these bonds, and the attorney-general instituted last spring in the supreme court of the Territory a suit in mandamus to compel the county of Pima to pay into the Territorial treasury sufficient moneys to regularly meet the interest payments on the bonds. The supreme court decided the case in favor of the Territory, but an appeal to the Supreme Court of the United States was taken by the board of supervisors of the county.

Somewhat more than a year ago it was brought to my attention that some of the counties were reckless in incurring obligations in excess of their ability to meet them out of the resources of their treasuries. Claims against these counties would be audited and allowed and warrants issued therefor, which, upon presentation to the county treasurers, were not paid. These warrants purported to draw interest. It being not only unbusinesslike but illegal for these counties to incur a floating debt, I instructed the public examiner to inform the officials of all counties that they must adhere to a strictly cash basis and to issue no warrants in excess of their ability to pay promptly in cash. A salutary reform has been effected in this respect.

As pointed out in my remarks on the question of taxation, the policy of assessing railroads and the large producing mines upon a more equitable valuation has resulted thruout the Territory in a material reduction of the tax rate. In some of the counties the reduction this year will amount to more than $1 upon each $100 valuation.

Receipts of the Territorial treasury for the year ended June 30, 1906.

General fund	$203,682.02
Agricultural college fund	25,000.00
Asylum for insane fund	47,668.84
Asylum for insane interest fund	1,165.47
Capitol building fund	2,100.00
Capitol interest fund	5,606.31
Interest fund	160,360.46
Industrial school fund	32 935.29
License and inspection fund	13,367.69
Northern Arizona Normal School fund	17,144.88
Northern Arizona Normal School fund, section 2	207.23
Northern Arizona Normal Dormitory fund	6,619.44
Prison fund	61,608.84
Ranger fund	24,307.87
Redemption asylum bonds	10,551.16
Tempe Normal School fund	43,886.62
Tempe Normal School building fund	70,259.33
Territorial school fund	42,858.78
St. Louis Exposition bond interest	78.70
World's Fair bond interest	78.67
University fund	28,053.50
University interest, law 3663 of 1901	2,330.75
University interest, act 47 of 1903	792.98
Total	$800,664.83

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Disbursements of the Territorial treasury for the year ended June 30, 1906.

General fund	$182,581.81
Agricultural college fund	30,000.00
Asylum for insane fund	44,309.94
Asylum for insane improvement fund	2,089.04
Asylum for insane interest fund, act 73 of 1903	1,000.00
Capitol building fund	5,541.97
Capitol interest fund	5,050.00
Interest fund	174,458.87
Industrial school fund	24,709.11
License and inspection fund	13,762.69
Northern Arizona Normal School fund	13,978.64
Northern Arizona Normal	3,120.18
Northern Arizona Normal dormitory fund	15,706.75
Prison fund	60,259.80
Ranger fund	19,400.61
Redemption fund, asylum bonds	10,000.00
Tempe Normal School building fund	71,160.50
Tempe Normal School fund	37,389.29
Territorial school fund	43,969.29
University fund	30,607.11
University interest, law 3663 of 1901	1,250.00
University interest, act 47 of 1903	458.37
World's Fair bond interest	1,113.39
St. Louis Exposition bond interest	1,408.37
Asylum for insane building fund	817.64
Total	794,143.37

PUBLIC FUNDS IN THE BANKS.

In accordance with an act of the twenty-third legislative assembly (1905), the Territorial funds are kept in various banks of the Territory, the bank in each instance having furnished security for the deposit, the security in most cases being a bond furnished by a surety company. The Territory receives 1 per cent per annum on the daily balances. Deposits in banks outside of the Territory are temporary only, and are made to facilitate the payment of interest on the funded debt. The sum on deposit during the year, averaged, was $246,000. On June 30, 1906, the Territorial deposits were as follows:

The Bank of Arizona, Prescott, Ariz	$50,578.93
Consolidated National Bank, Tucson, Ariz	21,284.31
Phoenix National Bank, Phoenix, Ariz	22,010.82
National Bank of Arizona, Phoenix, Ariz	19,771.12
The Valley Bank, Phoenix, Ariz	13,610.11
Prescott National Bank, Prescott, Ariz	27,117.84
The Bank of Bisbee, Bisbee, Ariz	15,092.19
Miners and Merchants' Bank, Bisbee, Ariz	16,616.36
Navajo County Bank, Winslow, Ariz	11,660.82
Gila Valley Bank and Trust Company, Solomonville, Ariz	7,810.61
Mesa City Bank, Mesa, Ariz	2,523.29
Farmers and Merchants' Bank, Tempe, Ariz	2,523.82
Bank of Benson, Benson, Ariz	33.25
The Guaranty Trust Company of New York, N. Y	67,964.13
Surveyor-general's check	300.00
The Bank of California, San Francisco, Cal	300.00
Total	279,197.60

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Bond statement.

Date of bond issue.	Account on which bonds were issued.	Maturity.	Interest rate.	Amount.
		Years.	*Per cent.*	
Jan. 15, 1888	Territorial indebtedness	25	6	$78,000.00
July 1, 1892	Territorial exhibit at World's Fair	20	5	30,000.00
July 15, 1892	Territorial, county, and city indebtedness	20–50	5	2,000,000.00
July 15, 1896	Territorial and county indebtedness	20–50	5	300.000.00
June 1, 1898	Construction capitol building	20–50	5	100,000.00
Jan. 2, 1902	Improvements University of Arizona	20	5	25,000.00
Jan. 15, 1903	Territorial exhibit, Louisiana Purchase Exposition	20	5	30,000.00
Do	Matured bonds, Territory and counties	20–50	5	92,000.00
Do	Judgment indebtedness Pima County railroad bonds	20–50	3	318,275.29
July 15, 1903	Matured bonds, Territory and counties	20–50	5	94,000.00
Jan. 1, 1904	Improvements asylum for the insane	20–50	5	20,000.00
Mar. 1, 1904	Expenses university experiment station	20–50	5	11,000.00
Jan. 1, 1906	Matured bonds of Pima County	20–50	4	25,000.00
	Total bonds outstanding			3,123,275.29

The present funded debt represents indebtedness incurred in former years by the Territory, the several counties, and certain cities, as follows:

Schedule of the funded debt, showing county, city, and Territorial indebtedness.

Apache County	$43,473.50	Yuma County	$88,791.11
Coconino County	159,000.99	Prescott city	91,261.90
Graham County	147,364.70	Tucson city	27,423.71
Gila County	44,781.36	Tombstone city	13,812.38
Maricopa County	281,636.43	Navajo County	38,000.00
Mohave County	105,363.29	Santa Cruz County	31,000.00
Pima County	553,515.34	Territorial indebtedness	1,022,972.43
Pinal County	136,138.08		
Yavapai County	338,740.07	Total	3,123,275.29

BOARD OF EQUALIZATION.

The Territorial board of equalization completed its equalization of the valuation of all the taxable property in the Territory August 17, 1906, its action being based upon the returns made by the boards of supervisors of the several counties.

The following tables show in detail the valuations found by the board, with the increased valuations which it ordered boards of supervisors to carry into effect:

APACHE COUNTY.

Property.	Number.	Valuation.	Increase.
			Per cent
Cultivated land.....acres	2,763	$27,976.76	
Improvements		6,740.00	
Uncultivated land.....acres	22,706	31,780.00	
Improvements		10,197.00	
Railroad land.....acres	863,889.41	365,555.76	
Town and city lots		13,952.00	
Improvements		40,616.00	
Horses:			
Range	609	6,090.00	
Work	438	14,952.80	
Saddle	491	9,820.00	
Stallions	7	370.00	
Mules	11	294.00	
Asses	92	644.00	
Cattle:			
Range and stock	5,478	65,736.00	
Milch cows	327	8,175.00	

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APACHE COUNTY—Continued.

Property.	Number.	Valuation.	Increase.
			Per cent.
Sheep	58,550	$117,100.00	
Goats	1,100	2,200.00	
Swine	35	140.00	
Railroad, standard gage.....miles..	55.48	[a] 255,509.21	
All other property		138,866.00	
Total		1,116,714.53	

COCHISE COUNTY.

Cultivated land.....acres..	3,301	$32,905.00	
Improvements		19,670.00	
Uncultivated land.....acres..	55,494.19	142,576.97	
Improvements		47,282.00	
Land grants.....acres..	50,118.08	126,225.00	
Patented mines	920	3,967,598.20	400
Improvements		196,522.01	
Improvements on unpatented mines		16,355.00	
Town and city lots		1,357,431.95	
Improvements		1,480,185.00	
Horses:			
Range	1,761	17,725.00	
Work	1,403	52,507.00	
Saddle	1,430	30,806.00	
Stallions	16	1,475.00	
Mules	104	4,195.00	
Asses	41	260.00	
Cattle:			
Range and stock	45,357	453,570.00	
Beef	308	6,160.00	
Milch cows	835	25,210.00	
Bulls	980	32,255.00	
Sheep	220	455.00	
Goats	3,103	6,806.00	
Swine	347	977.00	
Railroad, standard gage.....miles..	246.05	1,933,769.00	
Side track, standard gage.....do....	51.80	98,825.00	
All other property		3,436,124.61	
Total		13,487,870.74	

COCONINO COUNTY.

Cultivated land.....acres..	39,874.94	$132,721.99	
Improvements		210,775.00	
Railroad land:			
On reserve.....acres..	39,709.52	238,258.07	
Off reserve.....do....	273,656.54	68,414.13	
Patented mines	11	6,800.00	
Town and city lots		154,702.50	
Improvements		331,765.00	
Horses, range	1,749	17,490.00	
Improvements on patented mines		9,500.00	
Horses:			
Work	644	25,760.00	
Saddle	987	24,675.00	
Stallions	10	1,000.00	
Mules	11	550.00	
Asses	273	1,365.00	
Cattle:			
Range and stock	30,472	315,385.20	
Milch cows	184	4,600.00	
Bulls	34	1,360.00	
Sheep	156,025	312,050.00	
Goats	5,400	10,800.00	
Swine	95	475.00	
Railroad, standard gage (Santa Fe), estimated.....miles..	108.73	634,255.00	
Railroads:			
Grand Canyon.....do....	66.45	299,025.00	
Central Arizona.....do....	15	30,000.00	
Saginaw.....do....	14	28,000.00	
All other property		744,413.71	
Total		3,604,140.60	

[a] Estimated.

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GILA COUNTY.

Property.	Number.	Valuation.	Increase.
			Per cent.
Cultivated land.....acres..	4,312.5	$23,240.00	.....
Improvements.....	.....	8,125.00	.....
Patented mines.....	95	1,376,250.00	200
Improvements.....	.....	423,350.00	.....
Unpatented mines.....	22	296,500.00	.....
Improvements.....	.....	17,550.00	.....
Town and city lots.....	.....	435,929.00	.....
Improvements.....	.....	414,414.00	.....
Horses:			
Range.....	947	9,470.00	.....
Work.....	721	30,359.50	.....
Saddle.....	1,406	28,935.00	.....
Stallions.....	3	150.00	.....
Mules.....	239	11,700.00	.....
Asses.....	91	424.50	.....
Cattle:			
Range and stock.....	33,877	338,770.00	.....
Beef.....	52	750.00	.....
Milch cows.....	106	2,410.00	.....
Bulls.....	6	130.00	.....
Sheep.....	120	240.00	.....
Goats.....	21,602	43,204.00	.....
Swine.....	230	1,026.50	.....
Railroad, standard gage.....miles..	32.24	196,510.32	.....
All other property.....	.....	623,803.10	.....
Total.....	.....	4,282,240.92	.....

GRAHAM COUNTY.

Cultivated land.....acres..	21,177	$423,540.00	.....
Improvements.....	.....	370,525.00	.....
Uncultivated land.....acres..	23,759	95,036.00	.....
Railroad land.....do...	25	500.00	.....
Patented mines.....	221	2,372,580.00	.....
Improvements.....	.....	1,187,480.00	.....
Town and city lots.....	.....	120,795.00	.....
Improvements.....	.....	240,055.00	.....
Horses:			
Range.....	591	5,910.00	.....
Work.....	1,175	47,000.00	.....
Saddle.....	1,946	48,650.00	.....
Stallions.....	15	1,800.00	.....
Mules.....	542	21,680.00	.....
Asses, jacks.....	10	1,000.00	.....
Cattle:			
Range and stock.....	42,061	420,610.00	.....
Milch cows.....	1,006	25,350.00	.....
Bulls.....	47	940.00	.....
Sheep.....	1,000	2,000.00	.....
Goats.....	17,027	34,054.00	.....
Swine.....	290	580.00	.....
Railroads:			
Standard gage.....miles..	124.96	734,759.00	.....
Standard gage (side).....do....	1	1,000.00	.....
Narrow gage.....do....	25.50	85,300.00	.....
All other property.....	.....	392,449.00	.....
Total.....	.....	6,633,393.00	.....

MARICOPA COUNTY.

Cultivated land.....acres..	294,300	$3,642,935.00	.....
Improvements.....	.....	512,825.00	.....
Patented mines.....	28	28,250.00	.....
Improvements.....	.....	7,500.00	.....
Improvements on unpatented mines.....	.....	11,500.00	.....
Town and city lots.....	.....	2,435,950.00	.....
Improvements.....	.....	2,015,860.00	.....
Horses:			
Range.....	2,065	26,180.00	.....
Work.....	2,798	114,285.00	.....
Calves.....	2,041	15,205.00	.....
Horses, stallions.....	33	5,750.00	.....
Mules.....	327	11,455.00	.....
Asses.....	10	830.00	.....

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MARICOPA COUNTY—Continued.

Property.	Number.	Valuation.	Increase.
Cattle:			*Per cent.*
Range and stock	16,729	$168,170.00	.....
Beef	1,597	31,940.00	.....
Milch cows	4,894	122,350.00	.....
Bulls	359	9,910.00	.....
Sheep	2,820	8,460.00	.....
Goats	4,239	6,435.00	.....
Swine	1,209	3,325.00	.....
Stands of bees	10,506	15,760.00	.....
Railroad, standard gage.....miles	105.20	990,775.00	.....
Ostriches	1,304	56,700.00	.....
All other property	.....	1,512,533.61	.....
Total	.....	11,754,883.61	.....

MOHAVE COUNTY.

Uncultivated land.....acres	1,070	$1,928.67	.....
Improvements	.....	50,508.00	.....
Railroad land.....acres	42,445	8,489.00	.....
Patented mines	160	194,027.28	50
Improvements	.....	106,424.00	.....
Improvements on unpatented mines	.....	44,165.00	.....
Town and city lots	.....	35,399.45	.....
Improvements	.....	92,185.00	.....
Horses:			
Range	685	6,850.00	.....
Work	283	14,150.00	.....
Saddle	520	18,200.00	.....
Stallions	2	150.00	.....
Mules	9	310.00	.....
Asses	57	290.00	.....
Cattle:			
Range and stock	10,627	106,270.00	.....
Milch cows	108	2,700.00	.....
Bulls	3	75.00	.....
Sheep	19,797	39,594.00	.....
Goats	1,650	3,300.00	.....
Swine	91	405.00	.....
Railroads:			
Standard gage (estimated).....miles	107.881	471,979.38	.....
Standard gage.....do	21.57	76,500.00	.....
All other property	.....	144,494.85	.....
Total	.....	1,418,394.63	.....

NAVAJO COUNTY.

Cultivated land.....acres	2,782	$42,300.00	.....
Uncultivated land.....do	10,478	21,178.00	.....
Improvements	.....	16,877.50	.....
Railroad land.....acres	721,108.57	285,443.45	.....
Land grants.....do	337,245.99	134,898.40	.....
Town and city lots	.....	85,930.66	.....
Improvements	.....	207,645.85	.....
Horses:			
Range	841	8,410.00	.....
Work	630	22,590.00	.....
Saddle	308	7,160.00	.....
Stallions	3	240.00	.....
Mules	14	350.00	.....
Asses	120	600.00	.....
Cattle:			
Range and stock	5,340	53,400.00	.....
Milch cows	362	7,240.00	.....
Bulls	4	100.00	.....
Sheep	68,270	170,675.00	.....
Goats	720	1,440.00	.....
Swine	109	327.00	.....
Railroad, standard gage (estimated).....miles	57.155	263,200.00	.....
All other property	.....	346,719.08	.....
Total	.....	1,679,724.92	.....

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PIMA COUNTY.

Property.	Number.	Valuation.	Increase.
			Per cent.
Uncultivated land..acres..	61,198	$233,887.00	.....
Improvements	.....	132,177.00	.....
Additions to city of Tucson	.....	80,335.00	.....
Improvements	.....	45,345.00	.....
Land grants..acres..	17,208	16,130.00	.....
Improvements	.....	1,500.00	.....
Patented mines	296	391,390.00	.....
Improvements	.....	4,550.00	.....
Town and city lots	.....	1,121,895.00	.....
Improvements	.....	1,538,832.00	.....
Horses:			
Range	1,415	14,220.00	.....
Work	614	17,843.00	.....
Saddle	613	12,165.00	.....
Stallions	12	450.00	.....
Mules	81	1,895.00	.....
Asses	8	24.00	.....
Cattle:			
Range and stock	22,883	228,830.00	.....
Milch cows	321	6,840.00	.....
Bulls	202	4,050.00	.....
Sheep	1,930	3,860.00	.....
Goats	500	750.00	.....
Swine	30	90.00	.....
Railroad, standard gage..miles..	.....	712,249.00	.....
All other property	.....	1,016,301.00	.....
Total	.....	5,585,608.00	.....

PINAL COUNTY.

Cultivated land..acres..	62,345	$358,833.50	.....
Improvements	.....	40,300.00	.....
Patented mines	94	87,850.00	.....
Improvements	.....	38,409.00	.....
Improvements on unpatented mines	.....	34,354.25	.....
Town and city lots	.....	37,773.25	.....
Improvements	.....	63,890.00	.....
Horses:			
Range	833	5,613.00	.....
Work	461	12,560.00	.....
Saddle	514	8,110.00	.....
Stallions	6	365.00	.....
Mules	87	2,400.00	.....
Asses	65	325.00	.....
Cattle:			
Range and stock Beef Milch cows Bulls	14,812	178,364.50	.....
Sheep	4,000	8,000.00	.....
Goats	2,804	5,668.00	.....
Swine	294	815.00	.....
Railroad, standard gage..miles..	79.84	826,542.50	.....
All other property	.....	217,783.44	.....
Total	.....	1,927,956.44	.....

SANTA CRUZ COUNTY.

Uncultivated land..acres..	14,743	$35,523.00	.....
Improvements	.....	56,595.00	.....
Land grants..acres..	45,235	65,614.30	.....
Improvements	.....	10,000.00	.....
Patented mines	117	149,000.00	.....
Improvements	.....	40,520.00	.....
Improvements on unpatented mines	.....	44,455.00	.....
Town and city lots	.....	211,829.50	.....
Improvements	.....	276,119.00	.....
Horses:			
Range	1,185	11,850.00	.....
Work	228	8,925.00	.....
Saddle	702	17,400.00	.....
Stallions	7	270.00	.....

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SANTA CRUZ COUNTY—Continued.

Property.	Number.	Valuation.	Increase.
			Per cent.
Mules	72	$2,590.00	.....
Asses	136	361.00	.....
Cattle:			
Range and stock	19,751	197,510.00	.....
Milch cows	81	2,045.00	.....
Bulls	236	4,635.00	.....
Goats	121	328.00	.....
Swine	129	425.50	.....
Railroad, standard gage.....miles..	52.4	262,000.00	.....
All other property	.....	266,345.77	.....
Total	.....	1,664,341.07	.....

YAVAPAI COUNTY.

Cultivated land.....acres..	112,024.23	$196,611.88	.....
Improvements	.....	123,305.00	.....
Railroad land.....acres..	207,017.45	41,603.49	.....
Land grants.....do....	99,445.20	39,778.08	.....
Improvements	.....	3,000.00	.....
Patented mines	1,314	2,123,136.00	33⅓
Improvements	.....	1,104,008.00	.....
Improvements on unpatented mines	.....	177,676.00	.....
Town and city lots	.....	533,666.00	.....
Improvements	.....	940,480.00	.....
Horses:			
Range	2,008	20,080.00	.....
Work	1,655	46,150.00	.....
Saddle	1,195	30,025.00	.....
Stallions	8	445.00	.....
Mules	132	3,115.00	.....
Asses	228	1,490.00	.....
Cattle:			
Range and stock	32,939	329,390.00	.....
Milch cows	617	15,550.00	.....
Bulls	10	330.00	.....
Sheep	48,863	97,726.00	.....
Goats	18,533	37,066.00	.....
Swine	413	1,571.00	.....
Railroads:			
Standard gage (estimated).....miles..	61.552	269,290.00	.....
Congress.....do....	3.6	6,550.00	.....
Narrow gage.....do....	27.3	136,500.00	.....
All other property	.....	1,357,835.25	.....
Total	.....	7,636,377.70	.....

YUMA COUNTY.

Cultivated land.....acres..	71,446.83	$387,285.00	.....
Improvements	.....	14,600.00	.....
Patented mines	57	76,200.00	100
Improvements	.....	20,300.00	.....
Improvements on unpatented mines	.....	19,850.00	.....
Town and city lots	.....	299,738.00	.....
Improvements	.....	122,165.00	.....
Horses:			
Range	260	2,860.00	.....
Work	912	34,258.00	.....
Saddle	159	3,975.00	.....
Stallions	5	1,200.00	.....
Mules	510	24,408.00	.....
Asses	4	10.00	.....
Cattle:			
Range and stock	1,484	16,324.00	.....
Milch cows	380	9,500.00	.....
Bulls	5	235.00	.....
Swine	84	254.00	.....
Railroad, standard gage.....miles..	82.5	816,960.19	.....
Railroad rolling stock	.....	90,539.81	.....
Pullman Co	.....	4,689.51	.....
All other property	.....	209,964.90	.....
Total	.....	2,155,316.41	.....

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Total valuation, by counties, for the year 1906.

County.	Valuation.	County.	Valuation.
Apache	$1,116,714.53	Pinal	$1,927,956.44
Cochise	3,487,870.74	Santa Cruz	1,664,341.07
Coconino	3,604,140.60	Yavapai	7,636,377.70
Gila	4,282,240.92	Yuma	2,155,316.41
Graham	6,633,393.00		
Maricopa	11,754,883.61	Total	62,946,962.57
Mohave	1,418,394.63	Less exemptions	719,329.03
Navajo	1,679,724.92		
Pima	5,585,608.00	Total subject to taxation	62,227,633.54

Statement of the aggregate amount of valuation of each class of property in the Territory for the year 1906.

Property.	Number.	Valuation.
Cultivated land.....acres	675,434.50	$5,268,349.13
Improvements		1,306,865.00
Uncultivated land.....acres	128,250.19	561,909.64
Improvements		313,636.50
Railroad land.....acres	2,147,760.49	1,011,263.88
Land grants.....do	549,252.27	382,645.78
Improvements		14,500.00
Patented mines		10,773,081.48
Improvements		3,138,563.01
Unpatented mines		296,500.00
Improvements		365,905.25
Town and city lots		6,925,327.31
Improvements		7,808,556.85
Horses:		
Range	14,949	152,748.00
Work	11,962	441,340.30
Saddle	10,271	239,921.00
Stallions	127	13,665.00
Mules	2,128	84,942.00
Asses	1,135	7,623.50
Cattle:		
Range and stock	281,810	2,872,329.70
Beef	1,957	38,850.00
Milch cows	9,221	231,770.00
Bulls	1,886	54,020.00
Sheep	361,595	760,160.00
Goats	76,799	152,051.00
Swine	3,356	10,411.00
Ostriches	1,304	56,700.00
Stands of bees	10,506	15,760.00
Calves	3,041	15,205.00
Railroads:		
Standard gage.....miles	1,299.358	8,903,102.92
Narrow gage.....do	52.8	221,800.00
Side track.....do	52.8	99,825.00
All other property		10,407,634.32
Total		62,946,962.57
Less exemptions		719,329.03
Total subject to taxation		62,227,633.54

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Final valuation placed on railroad property for the year 1906.

Name.	Miles.	Rate per mile.	Valuation.
Southern Pacific	392.5	$11,000.00	$4,317,500.00
El Paso and Southwestern	86.3	7,600.00	655,880.00
Maricopa and Phoenix and Salt River Valley	42.49	5,750.00	244,317.50
Arizona and New Mexico	40	5,650.00	226,000.00
New Mexico and Arizona	87.80	5,000.00	439,000.00
Morenci Southern	18	3,697.22	66,550.00
Central Arizona	15	2,000.00	30,000.00
Saginaw and Manistee	14	2,000.00	28,000.00
Gila Valley, Globe and Northern	124.3	6,000.00	745,800.00
United Verde and Pacific	27.3	5,000.00	136,500.00
Arizona Copper Co	7.5	2,500.00	18,750.00
Grand Canyon	66.45	4,500.00	299,025.00
Western Arizona	21.57	3,546.59	76,500.00
Arizona and Colorado	15.8	2,000.00	31,600.00
Congress Consolidated Mines Co	3.6	.....	6,550.00
Cananea, Yaqui River and Pacific	.....	.....	2,700.00
Total	962.61	.....	7,324,672.50
Atchison, Topeka and Santa Fe	386.734	.....	[a] 1,894,233.59
Pullman Co	.....	.....	100,220.61
Total	1,349.344	.....	9,319,126.70

[a] Estimated.

Valuation determined by board on railroads which are exempt from taxation by Territorial statute, or rate of taxation is fixt by act of Congress.

Name.	Miles.	Rate per mile.	Valuation.
Atchison, Topeka and Santa Fe[a]	386.734	$11,000.00	$4,254,074.00
Santa Fe, Prescott and Phoenix, exempt	194.79	7,600.00	1,480,404.00
Prescott and Eastern, exempt	26.4	5,500.00	145,200.00
Bradshaw Mountain, exempt	35.65	4,500.00	160,425.00
Phoenix and Eastern, exempt	94.8	4,500.00	426,600.00
El Paso and Southwestern, exempt	59.3	7,600.00	450,680.00
Arizona Southern, exempt	18.4	5,000.00	100,200.00
Total	816.074	.....	7,017,583.00
Less estimated taxable valuation of Atchison, Topeka and Santa Fe as above	.....	.....	1,894,233.59
Valuation of railroad property exempt from taxation	.....	.....	5,123,349.41

[a] Pays $175 per mile by act of Congress.

Territorial tax levy for 1906.

Fund.	Per $100.
General fund, paragraph 3831, Revised Statutes, 1901	$0.1543
Interest World's Fair bonds, act 103, laws of 1891	.003
Interest St. Louis Exposition bonds, act 86, laws of 1901	.003
Asylum for insane interest fund, act 73, laws of 1903	.002
Capitol interest fund, act 9, laws of 1897	.01
Interest fund, paragraph 2047, organic law and act of Congress of 1890	.08
Industrial School fund, chapter 50, laws of 1905	.04
Northern Arizona Normal School fund, act 71, laws of 1903	.03
Northern Arizona Normal School dormitory fund, chapter 41, laws of 1905	.015
Prison fund, paragraph 3601, Revised Statutes	.12
Ranger fund, paragraph 3229, Revised Statutes, 1901	.05
Redemption fund, act 103, laws 1891	.001
Tempe Normal School fund, paragraph 3702, Revised Statutes, 1901	.05
Tempe Normal School fund, act 38, laws of 1903	.025
Tempe Normal School fund, chapter 43, section 1, laws of 1905	.015
Tempe Normal School Building fund, chapter 43, section 4, laws of 1905	.055
Territorial school fund, paragraph 2246, Revised Statutes, 1901	.03
University fund, paragraph 3652, Revised Statutes, 1901	.06
University interest fund, paragraph 3663, Revised Statutes, 1901	.005
University interest fund, act 47, laws of 1903	.0017
Total	.7500

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Rate of taxation in the several counties, inclusive of the Territorial tax—Comparative statement.

County.	Total tax per $100.		County.	Total tax per $100.	
	1905.	1906.		1905.	1906.
Apache	$4.00	$3.75	Navajo	$3.95	$3.50
Cochise	2.90	2.65	Pima	3.25	2.85
Coconino	2.90	2.50	Pinal	3.75	3.50
Gila	3.25	3.22	Santa Cruz	3.95	3.70
Graham	3.75	2.50	Yavapai	4.00	3.00
Maricopa	2.50	2.10	Yuma	4.50	3.50
Mohave	4.00	4.00			

BANKS.

The prosperous condition of business thruout the Territory is well reflected by the bank statements rendered to the Territorial auditor. The statements of June 18, 1906, abstracts of which appear herewith, show that the total resources of the banks on that date amounted to $17,356,346.70, an increase of $3,969,273.61 for the year. Deposits aggregated $13,955,461.19, an increase of $3,509,509.46.

Abstract of reports of condition of Territorial banks in Arizona.

	June 30, 1905—22 banks.	June 18, 1906—24 banks.
RESOURCES.		
Loans, discounts, and overdrafts	$3,413,730.91	$4,569,483.38
Bonds, stocks, and other securities	670,431.40	788,724.88
Real estate, furniture, and fixtures	385,178.55	507,398.82
Expense account	63,989.88	95,776.99
Cash and due from banks	2,486,516.18	3,190,556.34
Total	7,019,846.92	9,151,940.41
LIABILITIES.		
Capital stock	825,200.00	869,500.00
Surplus	299,935.01	414,543.38
Undivided profits	197,898.55	259,858.45
Deposits and due banks	5,667,003.70	7,554,759.85
Bills rediscounted and bills payable	29,809.66	53,278.73
Total	7,019,846.92	9,151,940.41

Abstract of reports of condition of national banks in Arizona.

	May 29, 1905—13 banks.	June 18, 1906—14 banks.
RESOURCES.		
Loans, discounts, and overdrafts	$2,858,480.71	$3,467,672.98
United States bonds	590,546.00	728,736.26
Securities, etc	369,186.76	440,654.68
Real estate, furniture, and fixtures	191,177.77	216,484.83
Cash and due from banks	2,357,834.93	3,350,857.54
Total	6,367,226.17	8,204,406.29
LIABILITIES.		
Capital stock	705,000.00	755,000.00
Surplus and undivided profits	401,491.52	470,579.08
Circulation	453,900.00	560,000.00
Deposits and due banks	4,778,952.03	6,400,701.34
Other liabilities	27,882.62	18,125.87
Total	6,367,226.17	8,204,406.29
DEPOSITS.		
Territorial banks	5,667,003.70	7,554,759.85
National banks	4,778,952.03	6,400,701.34
Total	10,445,955.73	13,955,461.19

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INCORPORATIONS.

During the fiscal year July 1, 1905, to June 30, 1906, articles of incorporation of 2,188 corporations, organized under the laws of Arizona, were filed in the office of the Territorial auditor. These 2,188 companies have an aggregate capitalization of $2,966,767,900. The articles of incorporation of 18 foreign corporations, having an aggregate capitalization of $25,772,000, were also filed in the auditor's office during the year.

Statement of the corporation fees received by the Territorial auditor and covered into the treasury.

1905—July	$3,042.40	1906—February	$4,235.00
August	2,987.90	March	5,096.20
September	2,911.70	April	4,448.40
October	3,425.70	May	4,572.20
November	2,561.20	June	4,128.60
December	3,269.30		
1906—January	4,171.30	Total	44,849.90

IMPORTS AND EXPORTS.

Col. M. H. McCord, collector of customs at the port of Nogales, Ariz., has furnished to me the following statistics of imports and exports in the customs district of Arizona during the last fiscal year:

Period.	Imports.	Exports.	
		Domestic.	Foreign.
July 1, 1905, to June 30, 1906	$14,097,273	$7,225,048	$591,732
July 1, 1904, to June 30, 1905	13,050,436	5,687,260	184,859
Increase over 1905	1,046,837	1,537,788	406,873

PUBLIC LANDS.

All of Arizona is included within a single land district, the two districts into which the Territory was formerly divided having been consolidated last year. During the fiscal year there were 427 original homestead entries, covering 6,865.24 acres, an increase of 135 entries for the year. There were 79 final homestead entries, covering 10,427.12 acres. There were 36 original desert entries, covering 4,826.47 acres, an increase of 12 in the number of entries. There were 7 final desert entries, covering 584.75 acres. There were 43 cash entries, covering 1,842.58 acres. There were mineral applications to the number of 195, covering 9,572.872 acres, and mineral entries to the number of 200, covering 8,883.713 acres.

The surveyor-general informs me that he received applications and issued orders for 162 mineral surveys. The locations embraced in these applications comprised 515 lode claims, 9 mill sites, and 3 placers, making a total of 527 locations, an increase of 112 claims over the previous year. These figures and the figures for former years show a steady increase in the number of applications for mineral patents.

Surveys under 14 contracts, or special instructions in lieu of contracts, were approved during the year, embracing 420,350.78 acres of agricultural or grazing lands.

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THE INDIANS.

While the Indians of Arizona comprise about 14 per cent of our total population, they comprise but 3 per cent of the convicts in the Territorial prison. These figures prove indubitably, I think, that the Arizona Indians are peaceable and law-abiding. They are only fairly prosperous. Some of them are far from that. The agricultural and stock-raising Indians (the Navajo, the Pima, the Maricopa, and the Papago) are doing fairly well, but complaints reach me that many of the Apache are in want. The Government provides rations for such Apache as are unable to work, but many of the able-bodied members of the tribe do not find employment. Considerable numbers of them have been employed during the year in connection with the construction of the Roosevelt reservoir on the Salt River in Gila County; others, particularly the San Carlos Apache, have been employed in railroad work in the Gila Valley, but the San Carlos Apache are better off in this respect than are the White Mountain Apache. The Gila Valley, Globe and Northern Railway crosses the San Carlos Reservation.

The reservation of the White Mountain Apache is situated remotely from the railroad, and they are compelled to travel long distances from their homes in order to find employment. The Apache is not noted for his industry, and he dislikes to leave his family or to travel far from home. I am informed that many families of White Mountain Apache are living on cactus and herbs, and are in acute distress for lack of food. I respectfully recommend that a careful investigation of their condition be made.

All of the Indian schools are in a flourishing condition, and adult Indians are, from year to year, taking more kindly to the idea of educating Indian youth.

THE NATIONAL GUARD.

The National Guard of the Territory comprises 5 companies of infantry and 1 troop of cavalry.

These organizations are distributed as follows: At Phoenix, Tempe, Mesa, Flagstaff, and Yuma, 1 infantry company each, and at Morenci, 1 cavalry troop.

The entire organization is fully armed and equipped and is so supplied as to be ready for field service without any additional supplies being sent from headquarters.

A battalion of infantry attended the camp of instruction near Austin, Tex., this summer and the excellent conduct, the intelligence, and general equipment of the battalion won the high commendation of the officers of the Regular Army. The battalion consisted of the companies from Phoenix, Tempe, Yuma, and Flagstaff, and comprized 16 officers and 188 enlisted men.

Much interest has been taken in target practise, and it is expected that a creditable team will be sent from the organization to the target practise at Sea Girt next year.

THE ARIZONA RANGERS.

The work of the Arizona Rangers during the past year has again amply demonstrated the efficiency and value of that organization in preserving the peace and arresting criminals in the remoter sections of the Territory.

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The report of Capt. Thomas H. Rynning, commander of the rangers, shows a total of 704 arrests during the year. The offenses for which these arrests were made comprised 187 felonies, inclusive of Federal charges, 513 misdemeanors, and 4 insanity cases. The felony charges comprised 5 of murder, 26 of felonious assault, 1 of abduction, 2 of arson, 4 of robbery, 18 of burglary, 9 of grand larceny, 4 of embezzlement, 6 of forgery, 21 of swindling, 14 of horse theft, 3 of counterfeiting, 4 of desertion from the United States Army, 4 of adultery, 16 of violation of immigration laws, 31 of selling liquor to Indians, and 1 of compounding a felony.

Many of these arrests were of fugitives from other States and Territories, who were surrendered under extradition; and in the local cases conviction has almost invariably followed trial.

Of the misdemeanor arrests, 34 were for assault, 26 for petit larceny, 50 for carrying concealed weapons, 2 for violation of the game laws, 38 for violation of live-stock laws, 5 for running gambling establishments without license, 9 for selling liquor without license, 27 for disturbing the peace (drunk, disorderly, etc.), and 70 for various misdemeanor charges not classified.

Of these misdemeanor cases, 463 have been reported as resulting in conviction, 29 having been reported as acquitted, leaving but 21 cases not disposed of.

But two persons were killed while resisting arrest, during the past year: Bernardo Arviso (Mexican), at Roosevelt, October 31, 1905, and "Matze Ta 55" (Apache Indian), near Roosevelt, February 18, 1906. Both were killed by a ranger in self-defense, after having been fired upon by them. He was completely exonerated in each case by coroner's juries.

The maximum strength of the ranger force, as fixt by law, consists of a captain, a lieutenant, 4 sergeants, and 20 privates, altho the governor may, in his discretion, fix the strength of the force at a smaller number. On account of troubles along the Mexican border in the spring the force was recruited to its full number.

Aside from their work as general peace officers, the rangers are largely occupied in protecting the live stock interests of the Territory. They attend the round-ups in all parts of the Territory, keep in touch with the ranch owners, and visit remote parts of the Territory that are not usually visited by other officers.

Altho expensive to the Territory, the force is worth far more than its cost, and its operations have resulted in large savings to the various counties.

Complaint was made to me some months ago by the Mexican authorities that the Yaqui Indians, of Sonora, who have been in rebellion against the Mexican Government several years, were in the habit of purchasing arms and ammunition in Arizona. As soon as the matter was brought to my attention I directed the various sheriffs to be alert in preventing sales of arms and munition to Indians, and gave special instructions to the rangers to prevent, so far as possible, the sale of arms for use in Mexico. To what extent the Yaqui Indians were buying arms in this Territory it is impossible to ascertain with any degree of accuracy. Mexicans have the same right as other citizens to purchase arms, of course, and there is some reason to believe that in many cases Mexicans of the peon class have bought arms and delivered them to Yaquis. The Yaquis themselves are in the habit of coming into Arizona in considerable numbers to work in the mines and

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on the railroads, and there is so little difference in appearance between them and Mexicans of the lower class that it is not always easy to distinguish between them. For this reason honest dealers in arms might have sold rifles to Yaquis themselves. But from all the advices at hand I am led to believe that, as a result of the efficiency of the sheriffs in the border counties and of the rangers, such traffic in arms as did exist for the benefit of the Yaqui Indians has practically ceased. Careful investigation of the whole subject has seemed to warrant the belief that if the Mexican authorities would exercise the same diligence on their side of the line in preventing imports of arms as is exercised on this side in preventing sales, the Yaquis would find it much more difficult to provide themselves with guns and ammunition.

At present (September 1) most of the rangers are on duty near the headquarters at Douglas with a view to preventing any enemies of the Mexican Government from using Arizona as a base for hostile operations against Mexican authority. Information reached me in August that citizens of Mexico were in the habit of gathering secretly in the neighborhood of Douglas, and from the best information obtainable it appeared that at these meetings the subject of a revolutionary uprising against the Mexican Government was discussed. I instructed the officers of the rangers to watch these proceedings carefully and to make arrests promptly should any overt acts be committed on this side of the line. I also laid the facts before the United States district attorney for Arizona, and am informed that steps have been taken looking to the deportation of these undesirable aliens.

TERRITORIAL PRISON.

The Territorial prison is situated at Yuma. The superintendent, Mr. Jerry Millay, reports that there were 360 prisoners in the institution at the close of the fiscal year, a net increase of 31 during the year.

During the year 159 prisoners were received and 128 discharged. Of the prisoners received there were: Mexicans, 90; Americans and other whites, 53; Chinese, 1; negroes, 10; Indians, 5. Of the prisoners discharged there were: Mexicans, 63; Americans, 57; Indians, 4; negroes, 4.

At the close of the year the classification of the prisoners was: American and foreign white men, 129; American women, 1; Mexican men, 198; Indian men, 13; negro men, 17; Chinese men, 2.

The ages of the 159 prisoners received ranged as follows: Under 20 years of age, 10; from 20 to 25 years, 28; from 25 to 35 years, 36; from 35 to 40 years, 19; from 40 to 45 years, 15; from 45 to 50 years, 8; from 50 to 55 years, 5; from 55 to 60 years, 6; from 60 to 65 years, 3.

The classes of crimes for which the 159 men admitted were sentenced comprised 22. The leading offenses were: Grand larceny, 31; burglary, 30; assault with deadly weapon, 21; selling liquor to Indians, 11; robbery, 10; murder, second degree, 9; murder, first degree, 4; assault with intent to commit murder, 5.

The prisoners were received from the various counties of the Territory as follows: From Cochise, 33; from Coconino, 8; from Yuma, 4; from Graham, 10; from Gila, 7; from Mohave, 1; from Yavapai, 17; from Maricopa, 36; from Navajo, 5; from Pima, 34; from Pinal, 1; from Santa Cruz, 3.

Of the 128 prisoners discharged during the year 116 were liberated

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because of expiration of sentence, 4 were paroled, 5 died, 1 was pardoned, 1 escaped, and 1 was released by order of the Supreme Court.

Of the 360 prisoners in the institution on the 30th of June, 1906, 151 were born in Mexico, 34 (including 17 Mexicans, 11 Indians, 1 negro, and 5 Americans) in Arizona, 32 in Texas, 19 in California, 13 in New Mexico, 8 in Missouri, 6 in Illinois, 5 in Ohio, 5 in New York, 4 in Wisconsin, 4 in Pennsylvania, 3 in Mississippi, 3 in Iowa, 3 in Massachusetts, and 3 in Utah. The other States had one or two each. Of the foreign countries, aside from Mexico, 1 was from Spain, 4 from England, 1 from Germany, 1 from Austria, 5 from Ireland, 1 from France, 4 from Canada, 1 from Hawaii, 2 from Sweden, 3 from Scotland, and 1 from China.

The net expenditures for maintenance of the prison during the fiscal year amounted to $54,233.43, the average number of prisoners in confinement being 334.

The report of the prison physician, transmitted by the superintendent, shows that the sanitary condition of the prison is excellent, all things considered. There were but 5 deaths during the year, and but 42 cases were treated in the hospital. This showing is especially good, in view of the fact that many men are diseased when they enter the prison. The prison does not afford sufficient room for the men, and were it not for the excellent management the congestion would lead to much disease.

The serious problem of providing sufficient employment for the convicts in the Territorial penitentiary is still unsolved. I am hopeful, however, that the twenty-fourth legislative assembly will enact legislation providing work for all the convicts. The legislature of 1905 had the question under consideration, and a bill providing for the employment of the prisoners in the construction of public highways in the Territory was strongly prest, but, as finally past, the bill did not meet with executive approval. It provided that the prisoners should be worked in squads in the various counties from which they were originally sentenced. The project was wholly impracticable, as the expense would have been prohibitive.

TERRITORIAL INDUSTRIAL SCHOOL.

The Territorial industrial school, established for the punishment and reform of criminal, incorrigible and wayward youth, is situated at Benson.

Mr. James F. Mahoney, the superintendent, reports that there were 58 inmates in the institution on the 30th of June, 1906, an increase of 8 over the corresponding date in 1905. Of this number 54 were boys and 4 were girls.

During the year the inmates received numbered 33. During the same period 13 were discharged on account of expiration of commitment, 8 were released on parole, and 4 escaped.

The children committed to the institution are chiefly of Mexican nationality.

ASYLUM FOR THE INSANE.

Dr. Ray Ferguson, the superintendent of the Territorial asylum for the insane, reports that on June 30 last there were 266 patients in the institution, 215 men and 51 women. On the corresponding date last year there were 255 patients, of whom there were 212 men and 43 women.

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The superintendent's report is for the biennial period, as required by Territorial statute. During the two years 196 patients were admitted and 183 discharged. Of the 67 discharged as recovered, there were 62 men and 5 women. Eleven (9 men and 2 women) were discharged as improved; 3 (2 men and 1 woman) were discharged as unimproved; 17 (9 men and 8 women) were paroled in the care of relatives; 15 (all men) escaped, and 70 (59 men and 11 women) died.

The average number of resident patients for the biennial period was 256.

Of the patients admitted, 49 (31 men and 18 women) were married; 124 (112 men and 12 women) were single; 8 (5 men and 3 women) were widowed; 2 (men) were divorced, and of 13 (11 men and 2 women) the social condition was unknown.

Of those admitted during the two years, the leading causes of insanity were: Alcoholism, 23; heredity, 19; injury, 10; vicious habits, 13.

Of the occupations represented, there were: Miners, 40; laborers, 49; housewives, 14.

For the same period the distribution by nativity of the patients admitted was: American born, 84; foreign born, 112. Of the States, California had the highest representation, with 11; of the foreign born, the largest number (47) came from Mexico, 11 were from Canada, 10 from Germany, 7 from Ireland, and 8 from England. The next highest was Austria, with 5.

Of the 70 patients who died during the biennial period, 15 died from inanition, 10 from paresis, and 7 from tuberculosis.

The total net expenditures on account of the institution for the year ended June 30, 1905, were $43,128.47; for the year ended June 30, 1906, $42,787. The expenditure per capita in the fiscal year ended June 30, 1905, was 44 cents; for the year 1906, 43 cents.

The asylum is situated 3 miles from Phoenix. At present the entire equipment for housing and treating the patients consists of two detached cottages and six wards, situated in the wings of the main building. The institution as a whole provides enough room at present, and while it will compare favorably with many other asylums in various parts of the country the buildings are not adapted to modern methods of treating the insane. It is hoped to carry into effect, to a considerable extent, within the near future the "cottage system" of treatment. A hospital with new and modern equipment is needed and will undoubtedly be constructed within the next year. Under an act of a former legislature the Territory is empowered to issue $80,000 additional in bonds for construction purposes; but I am not disposed to increase the Territorial debt if it can be avoided, and probably no action toward new construction will be taken until the legislature has had an opportunity to authorize expenditures for such purpose from the Territorial treasury.

The present superintendent was appointed in March last and took charge of the institution on the 1st of April.

EDUCATION.

The public school system of the Territory embraces primary, manual training, and grammar schools, high schools for the principal centers of population, two normal schools, and a university.

The university is at Tucson. It is conducted by an excellent faculty, the president having general management of the institution,

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subject to the supervision of the board of regents. The normal schools are at Tempe and Flagstaff, and compare favorably with the best normal schools of the older States.

The government of the schools is conducted by—

A superintendent of public instruction (appointed by the governor), whose duty is to superintend the public schools of the Territory, to investigate all accounts of school moneys kept by Territorial, county, and district officers, and to apportion, subject to the approval of the Territorial board of education, to the several counties the amount of money to which each county may be entitled from the Territorial school fund, and to report biennially on school affairs;

A territorial board of education (of which the governor is president), comprising the superintendent of public instruction, the Territorial treasurer, the principals of the normal schools, the president of the university, and two principals or superintendents of graded or high schools;

A board of education for each of the normal schools, appointed by the governor;

A board of regents for the university (of which the governor and the superintendent of public instruction are members), appointed by the governor;

A county superintendent for each county, elected by the people in certain counties, and in others such by virtue of his office as probate judge; and

Trustees for each district, elected by the people of the district.

It is the duty of the Territorial board of education to devise plans for the increase and management of the Territorial school fund; to prescribe and enforce the use of a uniform series of text-books in the public schools; to prescribe and enforce a course of studies in the public schools; to adopt a list of books for school libraries; to grant educational diplomas, valid for six years, and life diplomas, and to grant first-grade Territorial certificates, when in their judgment it seems advisable, to graduates of universities and chartered colleges of similar rank.

There is also a Territorial board of examiners, consisting of the superintendent of public instruction and two persons appointed by him. This board adopts rules and regulations governing the examination of applicants for Territorial certificates and for the government of county school superintendents in conducting the examination of such applicants for certificates. The board also prepares questions for the examination of teachers and transmits the questions to the county superintendents for use in the quarterly examinations of applicants. The board grants recommendations for life and educational diplomas, grants Territorial certificates of the first grade, valid for four years, and grants Territorial certificates of the second grade, valid for three years. It has power to revoke the certificates of teachers who are guilty of immoral conduct or are unfit to teach.

A census of the children of school age (6 to 21 years) is taken in May of each year. This census also includes statistics of school affairs generally.

The census returns for this year, transmitted to me by Mr. R. L. Long, superintendent of public instruction, show that the schools are in a flourishing and satisfactory condition.

There are 30,230 children of school age, a gain of 940 over last year.

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The number enrolled in district schools during the school year was 23,223, a gain of 1,431.

There are 290 school districts, a gain of 3.

The new schoolhouses constructed during the year numbered 12. In the previous year there were 10 houses constructed.

There are six high schools, a gain of 3. The normal schools, at Tempe and Flagstaff, furnish high-school facilities, hence there are no separate high schools in those cities.

There are 377 primary schools, a gain of 11; grammar schools, 165, a gain of 8.

There were 18,291 volumes in school libraries, a decrease of 736.

The number of male teachers employed during the year was 110, an increase of 13; female teachers, 444, an increase of 5, the total number of teachers employed being 554.

The number of teachers holding first-grade certificates was 379; second-grade certificates, 175.

The average monthly salary paid men teachers was $89.41; women teachers, $71.10.

Receipts for schools from all sources amounted to $579,385.36, an increase of $47,809.96.

Disbursements for school purposes amounted to $581,335.49, an increase of $109,971.61.

The only unsatisfactory feature of our schools, as I had occasion to point out in my annual report of last year, is the large number of Mexican children of school age who fail to take advantage of the splendid opportunities offered by the public schools.

MINING.

The past year was one of unexampled prosperity for the mining industry in Arizona. Copper mining particularly has had, and has, the proportions of a veritable "boom." The high prices prevailing for copper thruout the year stimulated prospecting to a remarkable degree, and mining properties in all stages of development have found a ready sale.

From the best figures obtainable I estimate that the production of copper in this Territory for the present calendar year will aggregate 300,000,000 pounds, which would be worth, at the average New York price, at least $54,000,000.

As I pointed out last year, there is no method of accurately ascertaining the production of gold and silver. Aside from the distinctively gold and silver mines, nearly all our copper ores carry values in gold and the larger producers are not disposed to give the details of production. I think it would be conservative to estimate a production of $4,000,000 in gold and $2,000,000 in silver during the present calendar year.

An active demand for skilled miners continues, and in some districts there is complaint that a sufficient number of miners can not be had.

Wages and hours of work at all the mines appear to be satisfactory, and amicable relations between operators and miners have been maintained.

Some excitement was caused at Bisbee last spring by the agitation of the question of "unionizing" the mines in that district. There was a mass meeting of the miners at which it was decided to leave

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the question to a referendum vote of the workers. More than 3,000 votes were cast and the result was an overwhelming majority against the union project.

AGRICULTURE.

Rains were abundant during the past year and the streams carried an ample water supply for all the irrigated districts. Unfortunately, however, extraordinary floods in the Salt River had, in the spring of 1905, destroyed the principal diversion dam supplying the Salt River Valley, and a large section of the valley was without an adequate water supply thruout the most of last year. The canal company that owned the dam was unable to make the necessary repairs, and it was not until April of the present year—a full year after the dam had been destroyed—that the water users under the Arizona canal had, by cooperation, succeeded in constructing new diversion works. Such crops as were not affected by a shortage of water prior to April were abundant this year, and upon the whole this is a prosperous year for the ranchers of the Salt River Valley, which contains the largest area of irrigated land in the Territory.

Negotiations between the Government and the owners of the various canals in the neighborhood of Phoenix have resulted in the purchase of the canals by the Government for the benefit of the water users, under the reclamation act. The construction of the great reservoir dam at Roosevelt, on the Salt River, 60 miles northeast of Phoenix, is under way, and two years hence the Salt River Valley will be one of the most perfectly irrigated sections of the United States, and therefore one of the most prosperous. The irrigated districts in Graham and Pinal counties, on the Gila River, are unusually prosperous this year.

The floods of last year destroyed the largest storage dam in Apache County, which entailed a great hardship on the ranchers in that section, but with the energy and fortitude characteristic of Arizona citizens the Apache County ranchers are overcoming their difficulties.

I do not consider it necessary to make a detailed statement concerning the development of the various irrigating systems in the Territory in view of the very full data on the subject which are supplied by the Reclamation Service.

Altho the enormous production of wealth from Arizona's mines leaves the impression abroad that all other industries in the Territory are comparatively unimportant, it should not be forgotten that there are many millions of wealth produced by our ranches. Maricopa County, which is almost exclusively an agricultural county, is the most populous county in the Territory, and the property in the county this year has an assessed valuation exceeding $11,000,000.

THE LIVE-STOCK INDUSTRY.

The grazing of cattle and sheep on the public domain during the fiscal year ended June 30, 1906, experienced a period of uninterrupted prosperity. The feed has been excellent, the cattle strong and healthy, and there has been a full calf crop. The rains were well distributed over the greater part of the Territory, and there were no losses from starvation or lack of water.

The United States Weather Bureau reports show that the average precipitation thruout the Territory for the twelve months ended June 30, 1906, was 16.38 inches, as indicated by the reports of about

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sixty observation stations. The driest two months in the year were May and June, 1906, yet there was no shortage of browse and dry feed on the ranges during those months. Range cattle are in excellent condition, the summer rains are in progress, the hills are covered with green feed, and the watering places abundantly supplied.

All classes of live stock in the Territory are now considered free from destructive contagious diseases. There have been three outbreaks of glanders in the Territory the past year, all traceable directly to infection brought in overland recently, but in each case it was soon controlled.

The small area that has been slightly infected with fever ticks for a few years past has been freed of the pest during the past year, so that Arizona cattle are now free from all contagion, including tick fever. Again, during the past year all the sheep in the Territory have been dipt under supervision, and scabies has been entirely eradicated from our flocks.

The swine of the Territory have not been affected with contagion during the year.

The wool-growing industry, which is carried on quite extensively in the northern part of the Territory, has enjoyed the most prosperous year in the history of the Territory. Sheep have been in fine condition thruout the year, producing a heavy crop of wool and a phenomenally large crop of lambs. The wool crop was sold at a good market price, and the proceeds of wool and mutton have returned to the owners over 50 per cent of the value of their flocks within the year. These periods of exceptional prosperity in the business of grazing live stock on the public domain are quite necessary to repair the losses which inevitably occur during the seasons of drought.

The assessment rolls of the various counties show that 281,810 head of range cattle were assessed for the year 1906, as compared with 266,074 head for the preceding year, showing a net gain of 15,736 head.

Sheep assessed for the year 1906 numbered 361,595, as compared with 339,212 for the year 1905, showing a net gain of 22,383 head.

Goats assessed for the year 1906 numbered 76,799, as compared with 62,905 for the year 1905, a net gain of 13,894 head.

Shipments of cattle to points outside of the Territory aggregated 51,670 head, which is 4,647 less than for the preceding year, during which 56,317 head were shipped.

The total number of head of cattle inspected for slaughter within the fiscal year was 53,083, as compared with 45,753 for the preceding year, a net increase of 7,330. There have been no forced shipments on account of drought, and cattle have been in great demand for breeding purposes on the range, the tendency among cattlemen being toward the restocking of the range where the number of head had been depleted during the period of drought which preceded July, 1904. This probably accounts for the decrease in shipments to points outside of the Territory.

TAXATION.

As I had occasion to say in my last report, the subject of taxation is a perplexing one. The efforts of the past year to secure a more equal distribution of the burdens of taxation has emphasized the statement. At the meeting of the Territorial board of equalization in August, 1905, that board undertook the equalization of taxes. Our

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statute requires that the clerk of the board of supervisors of each county shall, before the third Monday of August in each year, make an abstract of the assessment roll of his county. The property is required to be classified in the returns thus directed to be made.

Upon an examination of these returns the board found last year that the property, other than patented mines and railroads, had been assessed at from 40 to 75 per cent of its value, and that patented mines, together with their improvements, were assessed at not more than from 3 to 5 per cent of their values.

It is conceded to be difficult to ascertain the real value of a mine. On a conservative estimate, however, it may be entirely safely said that the mines of the Territory are worth and would readily sell for not less than $100,000,000.

Whether the value of the mine itself can be accurately estimated or not, there is no difficulty in ascertaining the value of its product. The production of the mines for 1904 was not less than $30,000,000 in gold, silver, and copper. Last year it was still greater. This year it will exceed $50,000,000. All the mines in the Territory, and the improvements upon them were, in 1905, returned for taxation at a valuation of less than $5,000,000, notwithstanding that the productiveness of the mines had at that time increased over that of the year 1904. The Territorial board of equalization undertook to equalize these valuations. It never had been attempted before as to mines, but for nearly twenty years the board had exercised its powers of equalization by raising, in various counties the returned values of cultivated and uncultivated lands, of town lots and improvements, of horses, cattle, sheep, swine, and, indeed, of every class of property other than mines.

The board last year, in order to bring the patented mines at least more nearly to a valuation for taxation on an equality with that of other property, raised the valuation of patented mines in the Territory from $2,500,000, as returned by the local officers of the various counties, to $11,500,000.

It should be borne in mind that the valuation of improvements on these mines was not attempted to be affected. The raise was upon the valuation of the mines only and not upon any other property of the mine owners.

The officers of some of the counties, charged by law with the duty of making these raises effective, refused to do so. To determine the legal questions raised by the action of the Territorial board, I will state them as they were stated in the opinion of the district attorney of one of the counties (it being the duty of the district attorney to advise the county officials upon legal matters), who, in writing, advised the local board to ignore the action of the Territorial board. He advised his board as follows:

1. The Territorial board of equalization may, for the purpose of adjusting and equalizing, increase the aggregate valuation of one county and decrease that of another, but it has no power to increase the aggregate valuation of property above the valuation returned by the boards of supervisors of the several counties.

2. The Territorial board of equalization, in equalizing and adjusting property valuations between the several counties, has no power to increase or decrease the valuations of certain kinds, classes, or grades of property within any county. The Territorial board must deal with the respective valuations as returned by the counties as entities, by making such changes in each county, as a whole, as will relatively equalize the entire property values in the different counties.

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Practically applied, these two propositions meant, first, that, no matter how low property in one county might be assessed, the property in that county could not be raised unless property in other counties, even tho properly assessed, was lowered, so that the aggregate valuation of all property in the Territory should remain as originally returned; and, second, even if it be found in a given county that a mine worth unquestionably $1,000,000 was valued by the local board at $10,000—that is to say, at 1 per cent of its value—and a man's house and lot in the same county, worth $5,000, was assessed at $4,000—that is to say, at 80 per cent of its value—that the Territorial board had no power to place the mine to somewhat near its real value without raising the value of the house and lot in the same ratio. That is, if the mine was raised to 50 per cent of its value, which required that its returned value must be multiplied by 50, the valuation of the house and lot must be multiplied by 50, making the valuation of the $5,000 house and lot for the purposes of taxation $200,000. The absurdity of this interpretation needs no discussion. If our statute really meant that and was capable of no other construction, it ought to have been held void as being repugnant to all notions of justice. If it were capable of any other construction, it should be given to it.

The statute created the Territorial board of equalization and charged it with the duty of equalizing the valuations, and for that purpose required the property to be classified in groups and so returned; and the fact appears that during the eighteen years that this law has been in force every class of property other than "patented mines" has been raised or lowered, and no one ever before questioned the powers of the board to so deal with classes of property. Following the first attempt to raise the valuation of that kind of property included in the classification "patented mines" the power of the Territorial board to do so was assailed, and, strangely enough, the district attorneys of several counties elected by the people and made the legal advisers for the benefit of the people were the first and most persistent assailants of this effort of the Territorial board to equalize taxes by raising the values of the grossly undervalued mining property, and to that extent relieving the property of the small but numerous taxpayers whose property was, relatively to the mines and railroads, grossly overvalued.

The local board of supervisors which received the advice of the district attorney I have quoted and the boards of other counties, acting upon like advice, refused to take the steps necessary to make the order of the Territorial board effective. Some of the local boards complied with the order of the Territorial board.

The attorney-general of the Territory, Mr. E. S. Clark, at once applied to the supreme court of the Territory for a writ of mandamus to compel the local boards that had refused to do so to take the proper proceedings and put into effect the order of the Territorial board directing the raises noted.

The supreme court, by a majority decision, being that of Mr. Chief Justice Kent, Mr. Justice Sloan, and Mr. Justice Nave, decided all the contentions of the attorney-general in his favor. It held, first, that the Territorial board had power to raise the aggregate valuations of the property of the Territory if such raise was an incident to equalization, and, second, that the board had the power to equalize by increasing the valuation of undervalued classes of property, including patented mines.

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The court, nevertheless, denied the writ of mandamus, because it appeared affirmatively on the face of the petition that the board had not properly equalized values, as there appeared too great a difference between certain valuations of classes of property, and it did not appear upon the face of the petition that the "patented mines" had not been raised high enough to effect equalization. The decision of the supreme court having established the power of the Territorial board, the Territorial auditor, at the suggestion of the governor, in February of this year invited the assessors to meet the auditor and the attorney-general at Phœnix to consult relative to taxation generally. The meeting was well attended, and the results have shown a marked improvement in the assessment of the patented mines. In June the auditor called a meeting of the boards of supervisors of the several counties, who by law constitute the county boards of equalization, for a like consultation.

When the board of equalization met in August of this year for the purpose of equalizing valuations in the several counties, it found that the local boards had fixt the valuations of patented mines at a substantial increase over that of the preceding year, the aggregate increased valuation being $3,500,000, in round numbers. This increase applied to copper mines almost exclusively. No new copper mines had entered the list of notable producers, and for all purposes of comparison these valuations were found to have been placed upon the same great producers which in the year previous had been assessed by the local boards at a valuation $3,500,000 lower. The mines in question were not in fact worth any more than they were in 1905; in fact, to the extent of the ore which had been extracted from them meanwhile, they were worth less.

This increase by the local boards was eloquent proof of the fact that the boards were at last heeding an aroused public opinion. The board of equalization found, however, that valuations in some counties were still too low, and it ordered increases aggregating $4,750,000.

Graham County, in which a resolute assessor (Mr. John J. Birdno) had found the leading copper producers agreeing with him that the valuation fixt by the board of supervisors in 1905 was too low, was accepted by the board of equalization as the standard, and the increases ordered for the other counties were upon the basis of Graham County's valuation, so far as practicable. The increases ordered were as follows:

	Per cent.
Cochise County	400
Gila County	200
Mohave County	50
Yavapai County	33⅓
Yuma County	100

The assessment of railroads is lodged solely with the Territorial board of equalization, and the board meets in June of each year for the purpose of fixing the value of railroads for taxation. As explained in my report of last year, there are two classes of railroads over which the board at present has no jurisdiction for taxing purposes, namely, the road for which the tax rate has been fixt by Congress (the main line of the Santa Fe system) and the roads which are exempt from taxation for varying terms of years under Territorial laws enacted for the purpose of encouraging railway construction.

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The Territory is traversed by two transcontinental lines—the Santa Fe and the Southern Pacific. As the result of enormous expenditure for betterments both these lines are in fine condition. Ballasted roadbeds, the heaviest steel rails, and steel and concrete bridges are the chief improvements. Both lines carry a great traffic; the securities of both command high prices in the markets, and there is no apparent reason why there should be a material difference in the valuation of the two properties, so far as Arizona is concerned.

But Congress has decreed that the Santa Fe shall pay taxes at the rate of $175 for each mile of its line thru the Territory, which at the present tax rate in the counties traversed by it would amount to a valuation of approximately $5,500 per mile. For nearly twenty years the Southern Pacific, being under the jurisdiction of the Territorial board, had been assessed at approximately $7,000 per mile. Obviously it would be unjust to assess the Southern Pacific at a higher rate than the Santa Fe, if the board had the power to assess both; but the conclusion was unavoidable that we should deal with the situation as we found it. We had no power to change the tax rate for the Santa Fe; we did have the power to assess the Southern Pacific, and it was undeniable that the Southern Pacific was not assessed in proportion to the assessment of the great body of miscellaneous property in the Territory. It was found that the net earnings of the Southern Pacific were $3,759 per mile. Assuming that investments in Arizona should earn 10 per cent, the actual value of the Southern Pacific in this Territory would be $37,599 per mile. As a matter of fact, $37,599 is far below the value of the property as fixt by the market for its securities. The board accordingly raised the assessed valuations of the Southern Pacific to $11,000 per mile, an increase of $3,875 per mile over the valuation of the preceding year.

Other railroads over which the board has jurisdiction were assessed at considerably higher figures, the total increase of railroad assessments in the Territory amounting in round figures to $2,500,000.

The net result of the growth of wealth and the increased assessments of all classes of property is an undisputed tax roll of $62,000,000 this year, as against $48,000,000 last year. To be sure, the tax roll was nominally $57,000,000 last year, after the board of equalization had ordered the several increases; but, as already explained, certain counties, following the advice of district attorneys and attorneys for the mining companies, refused to carry the order into effect, and owing to technical errors in the board's proceedings its orders were inoperative in the view of the supreme court, altho the power of the board in the premises was upheld by the court.

The effect of the new policy is already manifest in all the counties in the form of lower tax rates.

Arizona at last, I am warranted in saying, is entering upon an era of more equitable assessment of property for taxation, and consequently, an era of moderate taxes.

Respectfully submitted.

JOSEPH H. KIBBEY,
Governor of Arizona.

The SECRETARY OF THE INTERIOR.

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